Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

UNCLASSIFIED

PAGE 01 GUATEM 07257 01 OF 02 301436Z

42
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 IGA-02 INT-05

/083 W
---------- 061624
R 292300Z DEC 75
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC 9501

UNCLAS SECTION 1 OF 2 GUATEMALA 7257

E.O. 11652: NA
TAGS: EFIN, GT
SUBJ: BALANCE OF PAYMENTS-GUATEMALA

REF: A) STATE 275435, B) GUATEMALA A-162, 9/17/75
C) GUATEMALA A-203, 12/8/75, D) ROCAP GUATEMALA 6968

REPORT REQUESTED REF. A SUBMITTED BELOW DIVIDED INTO SECTIONS ON BALANCE OF PAYMENTS, GNP, AND DEBT.

I. BALANCE OF PAYMENTS-THERE FOLLOW BALANCE OF PAYMENTS FOR 1974(ADJUSTED), AND 1976(PROJECTED).
THOSE FOR 1974 DIFFER SOMEWHAT FROM THOSE REPORTED IN OUR LAST BALPA REPORT (REF B). THE ESTIMATES FOR 1975 HAVE BEEN REFINED FORM THOSE GIVEN IN REF B AND SUBSEQUENTLY IN THE EMBASSY QUARTERLY REPORT (REF C), IN PART ON THE BASIS OF NEW DATA FROM THE CENTRAL BANK AND A YEAR-END REPORT BY THE MINISTER OF ECONOMY. THE PROJECTIONS FOR 1976 DO NOT ENTIRELY PARALLEL THOSE FOR THE CACM REGION AS A WHOLE, MADE IN REF D, BUT ARE GENERALLY CONSISTENT.

A. BALPA TABLE (IN MILLIONS OF GUATEMALAN QUETZALES EQUAL EACH TO ONE US DOLLAR, PER CALENDAR YEAR WHICH IN GUATEMALA EQUIVALENT TO FISCAL YEAR)
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 GUATEM 07257 01 OF 02 301436Z

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

1974 1975 CHANGES 1976
1.EXPORTS(FOB) 582 690 7 PCT INCREASE 740
COFFEE 173 160 27 PCT P UP 226
11 PCT V UP
SUGAR 50 116 46 PCT P DOWN 70
COTTON 68 97 2 PCT P DOWN 86
10 PCT V DOWN
BANANAS 31 30 10 PCT P UP 33
VOLUMNE UNCHANGED
MEAT 22 20 UNCHANGED 20

ALL OTHER 242 267 14 PCT INCREASE 305

2. IMPORTS(CIF)700 800 15.5 PCT INCREASE 930
POL 98 108 10 PCT P UP 130
8 PCT V UP

FERTILIZERS 36 45 PRICES UNCHANGED 54
20 PCT V UP

FOOD GRAINS 26 25 20
3. TRADE BALANCE (1-2)
-118 -110 -190

4. SERVICES, NET
-35 -41 -50
TOURISM INCOME 57 70 85
5. TRANSFERS,NET
54 66 80
6. CURRENT ACCOUNT BAL.
-99 -85 -160
7. OFFICIAL CAPITAL (75.6 CREDIT,
INFLOW, NET 4 8 11.4 DEBIT) 64
8. PRIVATE CAPITAL
INFLOW, NET 84 130 150
9. ERRORS& OMMISSIONS
-3 - -
10. VENEZUELAN INVEST-
MENT FUND - 32 OIL
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 GUATEM 07257 01 OF 02 301436Z

8 PCT PRICEUP
16 PCT VOLUME DOWN
29

11. INCREASE (PLUS) OR
DECREASE(-) IN
INTERNATIONAL
RESERVES -14 PLUS 85 PLUS 83

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

P -PRICE V-VOLUME

B. ASSUMPTIONS FOR CALCULATING EXPORTS

1. THE CENTRAL BANK ESTIMATE FOR 1975 EXPORT EARNINGS WHICH WAS JUST ANNOUNCED BY THE MINISTER OF ECONOMY, IS $647 MILLION. THIS SEEMS UNREALISTICALLY LOW TO US FOR SEVERAL REASONS. FOR ONE, THE CENTRAL BANK ESTIMATES COTTON EXPORTS AT $77 MILLION. USING THE NATIONAL COTTON COUNCIL FIGURES, EXPORTS OF THE 1974/75 CROP(ALL OF WHICH WAS HARVESTED AND WILL BE SOLD IN 1975) AMOUNTED TO 390,00 BALES. EACH BALE WEIGHS 500 POUNDS AND THE AVERAGE PRICE RECEIVED WAS 50 CENTS A POUND, WHICH MEANS THAT GUATEMALA SHOULD HAVE EARNED $97.5 MILLION FROM COTTON EXPORTS IN 1975. (EXPORT AVAILABILITY OF THE 1975/76 CROP SHOULD DROP TO 351,000 BALES. 60 PERCENT OF THE CROP HAS ALREADY BEEN SOLD AT AN AVERAGE PRICE OF 49 CENTS A POUND.)

2. A SECOND REASONS IS THAT THE FIVE MAJOR AGRICULTURAL EXPORTS(COFFEE, SUGAR,COTTON, BEEF, AND BANANAS) HAVE TRADITIONALLY BROUGHT IN ALMOST 60 PCT OF EXPORT EARNINGS. EVEN TAKING INTO ACCOUNT THE DISTORTION THAT EXTREMELY HIGH SUGAR PRICES MIGHT HAVE ON THIS RATION, IT SEEMS UNLIKELY THAT TOTAL EARNINGS FROM OTHER ITEMS COULD BE SO LOW AS TO LIMIT THE GRAND TOTAL TO $647 MILLION.

3. A THIRD REASON IS THAT WITH LESS THAN TWO WEEKS REMAINING IN 1975, THE BANK OF GUATEMALA IS PROJECTING THAT THEY WILL HAVE ABOUT $85 MILLION MORE DOLLARS IN FOREIGN RESERVES AT THE END OF 1975 THAN THEY HELD AT THE END OF 1974. (THIS INCLUDES $32 MILLION FROM THE VENEZUELAN INVESTMENT FUND.) WORKING BACKWARD FROM $85 MILLION AND USING THE BOG ESTIMATED TRADE DEFICIT, THE ONLY WAY TO ACCOUNT FOR SUCH A LARGE INCREASE
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 GUATEM 07257 01 OF 02 301436Z

IN FOREIGN RESERVES IS BY A $150 MILLION NET INFLOW OF PRIVATE CAPITAL. THAT SEEMS ABOUT $20 MILLION TOO HIGH TO US.

4. THE ASSUMPTIONS USED TO CALCUATE THE OTHER TWO MAJOR EXPORTS-SUGAR AND COFFEE-FOLLOW. THE VOLUME OF COFFEE EXPORTED SHOULD INCREASE FORM 2.9 MILLION QUINTAL(HUNDRED-WEIGHT) IN 1975 TO 3.2 MILLION IN 1976 WHILE THE PRICE SHOULD INCREASE FROM $55 TO $70 A HUNDREDWEIGHT. THE THE VOLUME OF SUGAR EXPORTED SHOULD INCREASE FROM 224,974 SHORT TONS TO 248,900 SHORT TONS, WHILE DECLINES FROM 26 TO 14 CENTS A POUND.

C. ASSUMPTIONS FOR CALCULATING IMPORTS-

1. THE BOG HAS PROJECTED 1975 IMPORTS AT $707.5 MILLION FOB, WHICH WOULD BE AROUND $782 MILLION CIF, ASSUMING THAT FREIGHT AND INSURANCE WILL COST ABOUT 10 PCT OF THE ORIGINAL VALUE.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

AGAIN THIS FIGUR SEEMS RAHTER LOW TO US. FOR ONE THING,
OVER THE LAST FIVE YEARS AN AVERAGE OF ONLY 45.3 PCT OF ANNUAL
IMPORTS IS BOUGHT WITHIN THE FIRST SIX MONTHS. APPLYING THIS
RATIO TO FIRST SEMESTER 1975 IMPORTS WHICH WERE $369 MILLION,
GIVES A FIGURE OF $814 MILLION
CIF FOR THE YEAR. FURTHERMORE, HIGHER OIL PRICES AND A
STRONGER ECONOMY IN THE LATTER HALF OF 1975 SHOULD
CONTRIBUTE TO AN AUGMENTED IMPORT BILL.

2. PETROLEUM CONSUMPTION NORMALLY INCREASES 8 PCT A YEAR
ACCORDING TO THE MINISTER OF ECONOMY. FACTORING IN A 10 PCT
INCREASE OF OIL PRICES, PETROLEUM PAYMENTS SHOULD INCREASE
FROM $108 MILLION TO $130 MILLION FOR 1976. FERTILIZER
CONSUMPTION WAS INCREASING AT AN AVERAGE 20 PCT ANNUAL RATE
BEFORE THE OIL CRISIS. THE MORE THAN 15,000 TONS STOCKS
OF FERTILIZER WHICH THE GOVERNMENT IS HOLDING SHOULD BE OFFSET
BY INCREASED PURCHASES STIMULATED BY LOWER PRICES THAN THOSE
WHICH PREVAILED IN EARLY 1975.

3. THE AGRICULTURAL ATTACHE ESTIMATES THAT THE IMPORTS OF
CORN WILL INCREASE FROM 51,000 MT IN 1975 TO 60,00 MT FOR
1976, WHILE IMPORTS OF HARD WHEAT SHOULD STAY THE SAME AT
73,000 MT (THOUGH LOCAL PRODUCTION OF SOFT WHEAT MIGHT
INCREASE 50 PCT TO 46,00 MT).GUATEMALA SHOULD EXPORT 3,000
MT OF SORGHUM IN 1976 AS OPPOSED TO 7,000 MT OF IMPRTS
THIS YEAR. IN 1975, 5,000 MT OF RICE WERE IMPORTED BUT A
UNCLASSIFIED

UNCLASSIFIED

PAGE 05 GUATEM 07257 01 OF 02 301436Z

SMALL VOLUME OF IMPORTS IN 1976 SHOULD BE OFFSET BY AN
EQUAL VOLUME OF RICE EXPORTS. BEAN EXPORTS AND IMPORTS
IN 1976 SHOULD ALSO CANCEL EACH OTHER AS OPPOSED TO IMPORTS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 GUATEM 07257 02 OF 02 301444Z

42
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 IGA-02 INT-05

/083 W

---------- 061727

R 292300Z DEC 75
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC 9502

UNCLAS SECTION 2 OF 2 GUATEMALA 7257

OF 9,000 MT IN 1975. THE INCREASED PRODUCTION OF THESE BASIC GARAINS REFLECTS GOG EFFORTS INITIATED IN LATE 1974 TO AUGMENT CROPS BY OFFERING RELATIVELY HIGH GUATEANTEED PRICES AND AGRICULTURAL CREDITS.

D. PRIVATE CAPITAL FLOWS

1. IF FOREIGN RESERVES HAVE INCREASED BY $85 MILLION IN 1975, NET PRIVATE CAPITAL INFLOW MUST ACCOUNT FOR AROUND $130 MILLION OF THAT AS COMPARED TO $84 MILLION IN 1974. THE BANK FO GUATEMALA CALCULATES THAT FOREIGN INVESTMENT ACCOUNTS FOR $68 MILLION (22.6 MILLION MORE THAN IN 1974) AND REPATRIATED CAPITAL $12 MILLION (VERSUS $5.6 MILLION IN 1974) OF CAPITAL INFLOW. MOST FOREIGN INVESTMENT WENT INTO MINERAL IN 1975 WITH EXMIBAL, THE NICKEL MINING OPERATION, ACCOUNTING FOR $49 MILLION AND SHENANDOAH, THE OIL EXPLORATION COMPANY, CONTRIBUTING BWTWEEN $10 AND $12 MILLION. PRIVATE BORROWING MUST ACCOUNT FOR THE REMAINING $50 MILLION OF THE NET PRIVATE CAPITAL I FLOW.

2. THE $150 MILLION GUESS FOR 1976 NET PRIVATE CAPITAL INFLOW IS A CONSERVATIVE ESTIMATE CONSIDERING THAT THE RATE OF EXMIBAL INVESTMENT SHOULD NOT ABATE AND FURTHER CONTRACTS FOR OIL EXPLORATION SHOULD BE SIGNED IN THE FIRST HALF OF 1976,
UNCLASSIFIED

UNCLASSIFIED

RESULTING IN INVESTMENT IN THE SECOND HALF.

E. ADJUSTMENT POLICIES-

1. WITH A LARGE AND GROWING QUANTITY OF FOREIGN RESERVES ($202 MILLION AT THE END OF 1974), THE GOG HAS NOT ATTEMPTED TO CURTAIL IMPORTS EXCEPT TO RAISE TARIFFS ON LUXURY CARS AND TO SPUR PRODUCTION OF FOOD GRAINS THERBY REDUCING IMPORTS. THE MORE SERIOUS PROBLEM FOR GUATEMALA HAS BEEN INFLATION WIHICH THE GOG TACKLED IN THE LATTER HALF OF 1974 BY CONTROLLING PRICES, SLOWING THE GROWTH OF THE MONEY SUPPLY, AND IMPOSING AN AUSTERITY BUDGET FOR 1975. THE MINISTER OF ECONOMY HAS JUST ASSERTED THAT INFLATION HAS BEEN SLOWED FROM 21 PERCENT IN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

1974 TO 14 PERCENT THIS YEAR.

2. WITH A REBOUNDING ECONOMY IN 1976 STIMULATED BY FOREIGN INVESTMENT AND A 27 PERCENT LARGER GOVERNMENT BUDGET (IN CURRENT DOLLARS) THE GOG WILL HAVE DIFFICULTY SLOWING THE INFLATION RATE FURTHER.

II. GROSS NATIONAL PRODUCT

FOLLOWING IS A TABLE OF THE GUATEMALAN GNP PROJECTED THROUGH 1976 (IN MILLIONS OF QUETZALES). FIGURES OF GROWTH AND INFLATION ARE ESTIMATED FOR 1975 AND 1976. PLEASE NOTE THAT REAL GROWTH OF THE GROSS DOMESTIC PRODUCT, PROBABLY A MORE PRECISE MEASURE OF THE ECONOMY, WAS 5.5 PERCENT IN 1974 AS OPPOSED TO THE 2.4 PERCENT REAL GROWTH OF THE GNP.

	GNP IN CURRENT QS	PERCENT GROWTH	GNP IN 1958 QS	PERCENT REAL GROWTH	DEFLATOR
1974	3,021	20.7	2,059	2.4	18.3
1975	3,625	20.0	2,183	6.0	14.0
1976	4,314	19.0	2,336	7.0	12.0

III. OFFICIAL BORROWING IN MILLIONS OF DOLLARS

	1974	1975	1976
1.(A) TOTAL DISBURSEMENTS	29.9	76.8	130.3
AID	12.9	16.8	12.0
CABEI	4.1	11.2	31.5

UNCLASSIFIED

UNCLASSIFIED

IDB	5.0	13.6	41.9
IBRD	7.2	2.5	12.6
OTHER	MU	.7	3.3
VENEZUELAN INVEST-MENT FUND	-	32	29
2.(B) DEBT SERVICE	27.9	16.3	19.0
3.(C) PROJECTED EXPORTS OF GOODS AND SERVICEES	734.0	843	925
4. 2 AS PERCENT OF 3	2.5	1.9	2.1

A. SOURCES: OAS JUNE 1975 PUBLICATION CUADROS ESTADISTICOS DEL FINANCIAMIENTO EXTERNO FOR 1974, AND CONSEJO NACIONAL DE PLANIFICACION ECONOMICA PROGRAMA DE APROVECHAMIENTO DE RECURSOS EXTERNOS PARA EL PLAN DE DESARROLLO 1975-1979 FOR 1975 AND 1976.
B. IBRD ESTERNAL PUBLIC DEBT AS OF DECEMBER 31, 1974 (10/23/75) WITH PROJECTED INTEREST PAYMENTS OF VENEZUELAN INVESTMENT FUND ADDED TO 1975 AND 1976 DEBT SERVICE PAYMENTS. NOTE THAT THOUGH THE GOG IS SIGNING LARGE LOANS IN 1975 AND 1976 TO FINANCE HYDROELECTRIC PROJECTS, THE LOANS WOLL NOT HAVE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

TO BE SERVICES UNTIL AFTER 1976. THE GOG HAS ONLY ALLOTTED
$11.4 MILLION IN THE 1976 BUDGET TO REPAY EXTERNAL DEBTS.
C. EMBASSY CALCULATIONS.
MELOY

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, BALANCE OF PAYMENTS DATA, DEBTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GUATEM07257
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750449-1257
From: GUATEMALA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975128/aaaaahao.tel
Line Count: 335
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 275435, 75 GUATEMALA A-162
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2003 by ReddocGW>; APPROVED <30 JAN 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BALANCE OF PAYMENTS-GUATEMALA
TAGS: EFIN, GT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006